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From:

Sent: Wednesday, May 30, 2012 4:38 PM

To:

Subject:

Hi Here is the response from our division.

From:

Sent: Monday, May 07, 2012 3:31 PM

To:

Cc:

Subject:

has reviewed the memo regarding income from discharge of indebtedness. Based on the facts presented in the memo and the information provided by (Taxpayer), we would initially characterize the amount of \$ that Taxpayer received on behalf of its subsidiary () from the Department of Commerce as a bona fide loan. Thus, subject to analysis, we do not see the need to characterize the \$ amount as a grant or an award requiring inclusion in the year of receipt.

The \$ amount has many characteristics of a bona fide loan: (1) there is a promissory note; (2) the promissory note provides for interest, a prepayment option, a fixed repayment date for principal and interest, and a defined term for repayment; (3) there is security for the loan in the form of certain equipment; and (4) there are remedies in the event of 's default. The loss of 's security interest upon default and 's reporting of of the \$ amount to "miscellaneous income" for book purposes (in anticipation of repayment) further supports the treatment of the \$ amount as a loan. Additionally, there is no indication that the Department of Commerce would not pursue for full repayment. Conversely, the lack of a provision for repayment on demand and a periodic payment schedule suggests that more factual development is necessary to determine whether the \$ amount should be treated as otherwise than a bona fide loan.

These are our initial thoughts given the compressed timing; however, we would be happy to provide a more detailed analysis on this issue.

Thanks,